

# 2011-2012 PERFORMANCE PLAN – Portfolio Manager, Global Fixed Income / Commodities (A. Karsh)

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*All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.*

## Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Total Fund Performance	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC}  *Cost-Adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5
30%	CalPERS Fixed Income Asset Class	Net of Fees, excess return in basis points relative to: Global Fixed Income Total ROR – CalPERS Custom Global {SJEKA1 – CPERGF2}	0 basis points = 0 +27 basis points = 1.0 +40 basis points = 1.5
45%	Commodities Program	Net of fees, excess return in basis points relative to fund performance benchmark {SX1CA1 – CPERGSCI}	0 basis points = 0 +20 basis points = 1.0 +30 basis points = 1.5
85%	Subtotal	Quantitative Measures	

### Incentive Schedule:

Total Fund: FY 2012-13: 0/20/30

Total GFI: FY 2012-13: 0/20/30

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## Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Leadership	<p><b>Enterprise-wide Leadership and Management</b> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> <li>• Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12.</li> <li>• Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012.</li> <li>• Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012.</li> <li>• Maintain a 90% EPAD completion rate.</li> <li>• Address and resolve all outstanding audit findings within 12 months of audit report.</li> <li>• Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12.</li> <li>• Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews.</li> <li>• Complete the Executive D&amp;I Development Journey course, including completion of all pre- and post-session work assignments.</li> <li>• Conduct at least two direct report team sessions on diversity and inclusion awareness.</li> <li>• Effectively manage all Operational resources within prescribed budget limits.</li> <li>• Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter</li> </ul> <p><b>Investment Office Leadership and Management</b> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> <li>• Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity.</li> <li>• Participating in training, communication, and recognition activities and events.</li> </ul> <p><b>Team Participation – Cross Asset Class Collaboration</b> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From Schedule

### Incentive Schedule:

Total Fund: FY 2012-13: 0/20/30

Total GFI: FY 2012-13: 0/20/30

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## Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
5%	Investment Projects	<p><b>CPI Indicator</b> By May 30, 2012, Outline the process for predicting future U.S. CPI growth using real-time markets inputs</p> <ul style="list-style-type: none"> <li>Research “best practices” regarding CPI prediction using input from various sell-side research teams.</li> <li>Work with Quant Research team regarding programming capabilities and inputs.</li> <li>Goal is to provide a forward look at CPI for use in inflation-linked trading decisions</li> </ul> <p><b>Bond / Commodity Futures</b> By June 30, 2012, Develop the capabilities for CalPERS to execute bond/commodity futures as part of the Global Fixed Income Strategy.</p> <ul style="list-style-type: none"> <li>Work with Ops team, BlackRock and counterparties to ensure the required operational processes, agreements and trading systems are in place.</li> <li>Outline strategy to calculate rich vs cheap opportunities in U.S. cash bonds vs futures.</li> </ul> <p><b>Fixed Income OTC Derivatives</b> By June 30, 2012, Outline the requirements for CalPERS to execute OTC Fixed Income derivatives in conjunction with the overall Fixed Income investment strategy</p> <ul style="list-style-type: none"> <li>To include working with Ops / Legal regarding appropriate ISDA agreements with counterparties for OTC trades, including CDS.</li> <li>Including working with Ops / BlackRock to ensure the appropriate operational processes, booking strategies and trading systems are in place.</li> </ul>	From Schedule
15%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

### Incentive Schedule:

Total Fund: FY 2012-13: 0/20/30

Total GFI: FY 2012-13: 0/20/30